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STRENGTHENING OF THE COORDINATION OF HUMANITARIAN AND DISASTER RELIEF ASSISTANCE OF THE UNITED NATIONS, INCLUDING SPECIAL ECONOMIC ASSISTANCE: SPECIAL ECONOMIC ASSISTANCE TO INDIVIDUAL COUNTRIES OR REGIONS

Economic assistance to States affected by the implementation of the Security Council resolutions imposing sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro)

Report of the Secretary-General

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I. INTRODUCTION

1. In its resolution 50/58 E of 12 December 1995, the General Assembly expressed concern at the persisting special economic problems confronting States, in particular the States that border the Federal Republic of Yugoslavia (Serbia and Montenegro), the other Danube riparian States and all other States adversely affected by the severance of their economic relations with the Federal Republic and the disruption of traditional transport and communications links in that part of Europe. At the same time, the Assembly reaffirmed the urgent need of a concerted response from the international community to deal in a more effective manner with the special economic problems of the affected States in view of their magnitude and the adverse impact of the sanctions on those States.

2. Also in that resolution, the General Assembly renewed its invitation to the international financial institutions to continue to pay special attention to the economic problems of the affected States and their adverse social impact and to consider ways and means for mobilizing and providing resources on appropriate terms for mitigating the continuing negative impact of the sanctions on those States. The Assembly renewed its request to the competent organs, programmes and specialized agencies of the United Nations system to take into consideration, in programming their development activities, the special needs of the affected States and to consider providing assistance to them from their special programme resources, and renewed its appeal to all States, on an urgent basis, to provide technical, financial and material assistance to the affected States to mitigate the adverse impact of the sanctions on their economies. The Assembly encouraged the States of the region affected by the sanctions to continue, inter alia, to cooperate actively on a regional basis in such fields as cross-border infrastructure projects or promotion of trade, thus alleviating the adverse impact of the sanctions.

3. Moreover, the General Assembly, in the same resolution, urged the organizations and specialized agencies of the United Nations system rendering humanitarian assistance to Bosnia and Herzegovina and the Federal Republic of Yugoslavia, including material and food supply for the United Nations peacekeeping contingents, to take appropriate steps to broaden access for suppliers, particularly from the States affected by the sanctions. The Assembly requested the Secretary-General to take all appropriate measures to increase the opportunity for the affected countries to participate actively in the post-conflict reconstruction and rehabilitation of the crisis-stricken areas of the former Yugoslavia after the achievement of a peaceful, lasting and just political solution of the conflict in the Balkans. The Assembly also requested the Secretary-General to continue to seek on a regular basis information from States and regional organizations and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of the affected States and to report thereon to the Security Council, as well as to submit a report on the implementation of the resolution to the Assembly at its fifty-first session. The present report was prepared in response to that request.

II. RECENT ACTION TAKEN BY THE SECURITY COUNCIL

4. The 1994 report of the Secretary-General on the subject (A/49/356) provided background information (sect. II) on the initial actions taken by the Security Council and its subsidiary bodies in response to requests for assistance, under the provisions of Article 50 of the Charter of the United Nations, received from eight States (Albania, Bulgaria, Hungary, Romania, Slovakia, the former Yugoslav Republic of Macedonia, Uganda and Ukraine) affected by the implementation of sanctions against the Federal Republic of Yugoslavia. The subsequent report (A/50/423) reviewed the decisions adopted by the Security Council and its Committee established pursuant to resolution 724 (1991) concerning Yugoslavia during the period from August 1994 to August 1995 with regard to the sanctions regime, particularly those measures that had a direct or indirect bearing on the neighbouring and other affected countries. An update of further pertinent steps taken by the Council and the Committee from September 1995 to August 1996 is given below.

A. Action taken by the Security Council

5. During the period under review, the Security Council significantly modified the regime of the mandatory measures in question, following the initialling on 21 November 1995, at Dayton, Ohio, of the General Framework Agreement for Peace in Bosnia and Herzegovina and the annexes thereto (collectively the Peace Agreement) (see A/50/790-S/1995/999) by the Republic of Bosnia and Herzegovina, the Republic of Croatia and the Federal Republic of Yugoslavia. By resolution 1022 (1995) of 22 November 1995, the Council suspended indefinitely, with immediate effect and subject to certain provisions stipulated in the resolution, the sanctions against the Federal Republic of Yugoslavia. 1/ In addition, by resolution 1021 (1995) of the same date, the Council stipulated the terms and timing for terminating the embargo on deliveries of weapons and military equipment to all the countries of the former Yugoslavia. By a note verbale dated 11 December 1995, the Chairman of the Security Council Committee established pursuant to resolution 724 (1991) concerning Yugoslavia apprised all States of the action taken by the Committee to amend the guidelines for the conduct of its work in the light of resolutions 1021 (1995) and 1022 (1995).

6. On 26 February 1996, the Security Council was informed, through the appropriate political authorities, that, in the assessment of the commander of the Implementation Force in Bosnia and Herzegovina, Bosnian Serb forces had withdrawn from the zones of separation established in the Dayton Peace Agreement. Therefore, in accordance with the provisions of paragraph 2 of Security Council resolution 1022 (1995), the measures imposed on the Bosnian Serb party were also suspended indefinitely, starting on 27 February 1996. By a note verbale dated 27 February 1996, the Chairman of the Committee informed all States of the suspension of the corresponding provisions in the Committee's

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1/ Specifically, the suspension relates to the measures that were imposed by or reaffirmed in Security Council resolutions 757 (1992), 787 (1992), 820 (1993), 942 (1994), 943 (1994), 988 (1995), 992 (1995), 1003 (1995) and 1015 (1995).

guidelines for the conduct of its work. At the same time, the embargo on deliveries of weapons and military equipment to all constituent republics of the former Socialist Federal Republic of Yugoslavia remained in force, in accordance with Security Council resolution 1021 (1995).

7. In a note verbale of 14 March 1996 addressed to all States, the Chairman of the Security Council Committee recalled that, on 14 December 1995, the Secretary-General had submitted to the Council a report stating that the Republic of Bosnia and Herzegovina, the Republic of Croatia and the Federal Republic of Yugoslavia had formally signed the Peace Agreement in Paris on the same date. Therefore, in accordance with the provisions of paragraph 1 of Security Council resolution 1021 (1995), 13 March 1996 would be the date of termination of all provisions of the embargo on deliveries of weapons and military equipment imposed by resolution 713 (1991), except those related to the delivery of heavy weapons (as defined in the Peace Agreement), ammunition therefor, mines, military aircraft and helicopters.

8. On 18 June 1996, the Chairman of the Security Council Committee informed all States that the members of the Council had received several reports by the Secretary-General on the implementation of annex 1-B (Agreement on Regional Stabilization) of the Dayton Peace Agreement. By a letter dated 13 June 1996 (S/1996/433), the Secretary-General transmitted a communication from the representative of the Chairman-in-Office of the Organization for Security and Cooperation in Europe (OSCE), describing progress achieved in implementing the confidence- and security-building measures in Bosnia and Herzegovina stipulated in article II of the Agreement on Regional Stabilization. By a letter dated 17 June 1996 (S/1996/442), the Secretary-General transmitted further communications from the representative of the Chairman-in-Office of OSCE, informing the Council of the implementation of the measures for subregional arms control envisaged in article IV of the Agreement on Regional Stabilization and as agreed by the parties on 14 June 1996 at Florence, Italy. Therefore, in accordance with subparagraph 1 (c) of Security Council resolution 1021 (1995), all provisions of the embargo on deliveries of weapons and military equipment imposed by resolution 713 (1991) have been terminated.

B. Action taken by the Security Council Committee established pursuant to resolution 724 (1991) concerning Yugoslavia

9. During the reporting period and until the suspension of the sanctions described above, the Security Council Committee continued to deal, in accordance with the revised consolidated guidelines for the conduct of its work, with a wide range of issues, including those of particular importance to the countries negatively affected by the implementation of the measures in question. In response to specific requests from several States experiencing special economic problems as a result of the sanctions, the Committee authorized, as limited exemptions from the sanctions regime under exceptional circumstances, designated transactions or services of crucial importance to those States. For example, the Committee decided to approve:

(a) A request from Albania for the transit passage of electric energy through the electric power grid of the Federal Republic of Yugoslavia from third

countries for an initial period of three months from 26 October 1995, on condition that Albania and the countries concerned would inform the Committee, on a monthly basis, of the quantities of electricity transferred through the Federal Republic of Yugoslavia and received in Albania;

(b) A request from Romania to export certain petroleum products to the Federal Republic of Yugoslavia, which were urgently needed for the maintenance of the Iron Gates I hydroelectric and navigation system on the right-hand bank of the Danube (500 metric tons of diesel oil and 2 metric tons of motor oil for ice-breakers, as well as 1,500 metric tons of fuel for heating premises and equipment used for breaking ice by vibration).

10. On the basis of a report by the Executive Director of the Danube Commission, the Committee notified the President of the Security Council that a further period of 60 days was required for completion of the necessary repairs to the locks of the Iron Gates I system. Accordingly, the Committee conveyed its understanding that Council resolution 992 (1995), which provided a temporary exemption from the provisions of paragraph 16 of resolution 820 (1993) regarding restrictions on navigation on the Danube, should remain in force until 19 December 1996. The Committee also approved a request from Romania to provide the Federal Republic of Yugoslavia with certain supplies essential to the repair of the locks of the Iron Gates I system, in accordance with resolution 992 (1995).

11. Starting in September 1995, the Committee issued, under its streamlined rules and procedures, nine blanket authorizations for specified shipping companies to trans-ship unlimited quantities of certain materials through the Federal Republic of Yugoslavia along the Danube. The short period of time between the issuance of the blanket authorizations and the suspension of the sanctions under Security Council resolution 1022 (1995) prevented the Committee from considering suggestions by Hungary and Ukraine that the list of goods covered by blanket authorizations be expanded and include, for example, bulk agricultural commodities such as wheat and corn.

12. By a letter dated 10 May 1996, the representative of Hungary presented to the Chairman of the Committee a summary of the damages and losses accrued in 1995 by Hungary as a result of the economic sanctions against the Federal Republic of Yugoslavia. The summary indicates the damages and losses due to the restriction on Hungarian-Serbian bilateral economic relations, estimated at $195 million, and the ban on transit through the Federal Republic of Yugoslavia, amounting to $39 million, as well as the shortfall of incomes and extra expenses for the budget, social insurance and local governments, totalling $130 million. The cumulative size of Hungary's losses generated from June 1992 to November 1995 is estimated at $2.3 billion. The Committee considered the communication and took note of the information contained therein.

13. Pursuant to the notes by the President of the Security Council dated 29 March and 31 May 1995 and 24 January 1996 (S/1995/234, S/1995/438 and S/1996/54), the Committee implemented a number of measures aimed at making its procedures more transparent. These include the practice of issuing press releases on matters of importance discussed in the Committee and making available to the delegations concerned lists of its major decisions prepared on

a regular basis, as well as periodic oral briefings by the Chairman of the Committee for interested States Members of the United Nations following the meetings of the Committee.

14. It will be also recalled that in his letter of 31 May 1995 addressed to the Secretary-General (S/1995/440), the President of the Security Council stated that the members welcomed the increase in staff to support the sanctions committees and looked forward to a report in due course on whether that increase had decreased the backlog in processing applications to those committees. Subsequently, in November 1995, the Secretary-General informed the President of the Security Council that the backlog in processing humanitarian applications submitted to the relevant sanctions committees had been eliminated. In addition to having reinforced the relevant unit in the Department of Political Affairs of the Secretariat, a process of streamlining of the working practices of the secretariats of the sanctions committees was initiated so as to ensure that humanitarian applications were processed at an ever faster pace, thus allowing supplies to reach needy civilian populations without delay.

III. INFORMATION REGARDING ECONOMIC ASSISTANCE TO THE AFFECTED STATES

15. Pursuant to General Assembly resolution 50/58 E, a note verbale from the Secretary-General was circulated to Governments on 22 February 1996, inviting them to communicate information on the matter. In addition, by a series of letters dated 16 April 1996, the Under-Secretary-General for Economic and Social Information and Policy Analysis, on behalf of the Secretary-General, requested the competent organs, programmes and specialized agencies of the United Nations system, including the international financial institutions, as well as the regional organizations concerned, to provide him with updated information on the activities undertaken by them in response to the relevant provisions of the resolution. The replies received are summarized below.

A. Communications received from States

16. As at 1 September 1996, the Secretary-General had received replies to the note verbale from six States, namely, Germany, the Russian Federation, the Syrian Arab Republic, Thailand, the United Kingdom of Great Britain and Northern Ireland and the United States of America. In addition, two affected countries - Bulgaria and Ukraine - addressed special communications to the Secretary-General regarding the issues referred to in General Assembly resolution 50/58 E, as outlined below.

1. Affected countries

17. By a letter dated 23 July 1996 (A/51/226-S/1996/595), the representative of Ukraine transmitted to the Secretary-General an aide-mémoire on the position of Ukraine on the problems of implementation of the economic sanctions imposed by the Security Council, in which it is stated, inter alia, that Ukraine has paid a high price for strict and consistent implementation of the sanctions. The

impact of the sanctions has been tangible on the mining, metallurgical, machine-building and electrotechnical industries, which traditionally had close links with the Balkan region. The biggest shipping company of Ukraine, UDASCO, which operates more than 1,000 vessels and employs about 25,000 workers depending completely on trans-shipment via the Danube, has also suffered great losses. According to its estimates, Ukraine has incurred around $4.5 billion in direct losses during the period of implementation of the relevant Security Council resolutions.

18. In its aide-mémoire, Ukraine puts forward a number of ideas and proposals for alleviating the negative impact of sanctions on third States. In view of the sanctions' long-lasting effect, Ukraine is of the opinion that the United Nations system, including the international financial institutions, regional organizations and Member States should continue to pay special attention to the economic problems of the affected States and their adverse social impact. For this purpose, consideration should be given to ways and means of improving procedures for consultations to maintain a constructive dialogue with such States, including through regular and frequent meetings as well as special meetings between the affected third States and the donor community. Among economic measures, Ukraine proposes for consideration (a) the opening of special credit lines by international financial institutions to render direct financial assistance to third countries to support technical projects carried out in those countries; (b) the introduction by the donor countries, on a bilateral and multilateral basis, of trade preferences for third countries, including promotion of their exports; and (c) donor country support, on a bilateral and multilateral basis, of investments in the economies of third countries, special preference being given to the sectors that sustain direct losses from the sanctions.

19. Ukraine also deems it important that, as partial compensation for losses, a special regime of participation in the post-conflict reconstruction and development should be considered for third States affected by the implementation of sanctions. Moreover, Ukraine suggests that the international community might study the possibility of introducing a mechanism to determine procedures for levying special taxes on States that are benefiting from the imposition of sanctions regimes (e.g., as a special contribution to the regional development banks), thus creating the funds that could be used to finance projects in the affected third States. Furthermore, reference is made to such other proposals as creating a special compensatory mechanism, including a compensation fund; reducing the contribution of affected countries to the financing of peacekeeping operations by their total sanctions-related losses, to be calculated according to United Nations methodology; establishing a standing Security Council sanctions committee charged with several functions regarding collateral damage caused by sanctions; and further improvements in the working methods of sanctions committees.

20. By a note verbale dated 30 August 1996 (A/51/330-S/1996/721 and Corr.1), the representative of Bulgaria transmitted to the Secretary-General a national communication on the implementation of General Assembly resolution 50/58 E, in which it is pointed out, inter alia, that, by virtue of its geographic location and the outward nature of its economy, Bulgaria has been extremely vulnerable to the negative side effects of the sanctions imposed on the Federal Republic of

Yugoslavia. The bulk of trade losses incurred by Bulgaria was due to the disruption of traditional commercial routes for its exports to countries in central and western Europe, which resulted in substantial scaling down of economic relations with those countries. Estimates of the direct losses incurred by Bulgaria in 1992-1995, prepared in consultation with United Nations Development Programme, amount to $1.6 billion. Bulgaria's direct and indirect losses and costs for the same period total $8 billion.

21. In its communication, Bulgaria expresses the view that the international community was not fully prepared to respond in an adequate manner to the difficulties and unforeseen negative consequences of the sanctions for the neighbouring States. Following the suspension of the sanctions regime, Bulgaria proposes that assistance be provided by (a) easing the access of companies from the interested affected States to orders for humanitarian assistance to Bosnia and Herzegovina and the Federal Republic of Yugoslavia; (b) participation of companies from the affected States in post-conflict reconstruction and rehabilitation of the crisis-stricken areas in the former Yugoslavia; and (c) improvement of the regional infrastructure, in particular the priority transport corridors crossing the territory of Bulgaria, as defined by the Pan-European Conference of Ministers of Transport, held in Crete in March 1994. Special attention is drawn to the need for enhancing regional and subregional cooperation, particularly in the light of the Sofia Declaration on Good-Neighbourly Relations, Stability, Security and Cooperation in the Balkans, adopted at the meeting of the Ministers for Foreign Affairs of the Countries of South-Eastern Europe, held at Sofia on 6 and 7 July 1996 (see A/51/211-S/1996/551).

22. With regard to the implementation of provisions of the Charter related to assistance to third States affected by the carrying out of sanctions, Bulgaria reaffirms the importance it attaches to setting up a mechanism for the effective application of Article 50. In its view, such a mechanism should be based on the understanding that the application of sanctions is a collective endeavour and that the hardship for the affected third countries should be equitably shared among all Member States; reference is made to several proposals and suggestions aimed at minimizing the collateral effect of sanctions on third States. As for economic assistance, special attention is drawn to the following suggestions: (a) exploring the possibility of establishing a trust fund to provide assistance to third States affected by the imposition of sanctions; (b) economic assistance by international financial institutions, including debt relief and emergency loans on highly concessional terms; and (c) consideration of all other forms of support, including direct assistance in cash or in kind, provision of alternative sources of supply and alternative markets, specific commodity purchase agreements, compensatory adjustments of international tariffs, assistance for the promotion of investments and technical cooperation with the affected countries.

2. Donor countries

23. The donor and other countries that replied to the Secretary-General's note verbale shared, in general, the concern about the persisting special economic problems of States adversely affected by the severance of their economic

relations with the Federal Republic of Yugoslavia and the disruption of traditional links in the region. Most of the countries recognized, in principle, the need to provide assistance to the affected States. Several States (Germany, the Russian Federation, Thailand, the United Kingdom and the United States) provided specific information on their financial, technical or humanitarian assistance to the countries in question. In addition, some countries, such as the Syrian Arab Republic, expressed the view that the suspension of the sanctions should help in alleviating the special economic problems confronting the affected States. Other countries, for example, Germany, encouraged the affected States to participate actively in the regional cooperation projects and international efforts for the reconstruction and rehabilitation of the conflict-stricken areas of the former Yugoslavia.

24. As a Danube riparian State, Germany has reaffirmed that it has been adversely affected by the economic sanctions against the Federal Republic of Yugoslavia. From 1990 to 1994, German trade with Serbia and Montenegro declined from DM 4 billion to DM 90 million, followed by an increase to DM 132 million in 1995. Nonetheless, Germany has provided comprehensive assistance to other countries economically affected by the sanctions, in particular to the neighbouring countries of the Federal Republic of Yugoslavia. At the bilateral level, the German Transform Programme encompasses technical cooperation and advisory services in such areas as privatization, social policy, small and medium-sized businesses, promotion and reorientation of trade towards the European Union, and alternative infrastructure development. For example, for the extension of the railway tunnel between the former Yugoslav Republic of Macedonia and Bulgaria, Germany contributed DM 5 million by the end of 1995 and has earmarked an additional DM 30 million for 1996.

25. Germany has reported aggregated data on its bilateral technical assistance, in 1993-1995, to the following affected countries: Albania (DM 9.7 million in 1995), Bulgaria (DM 50 million), Hungary (DM 57 million), the Republic of Moldova (DM 12.2 million), Romania (DM 28 million in 1994-1995), the former Yugoslav Republic of Macedonia (DM 24 million) and Ukraine (DM 82.2 million). In addition, Germany has participated in the European Union's assistance programmes such as PHARE (Pologne-Hongrie: Assistance à la restructuration économique) and TACIS (Technical Assistance for the Commonwealth of Independent States). In 1990-1995, the German contributions to the PHARE programme included 480 million European currency units (ECU) for Bulgaria, ECU 580 million for Hungary and ECU 540 million for Romania. Under the TACIS programme, ECU 48.2 million were committed, in 1991-1995, for the Republic of Moldova and ECU 500 million were earmarked for 1996-1999 for Ukraine.

26. Germany has also reported various costs incurred by it as a result of the conflict in the former Yugoslavia, as well as its contribution to international peacemaking, peacekeeping and peace-building efforts in the region. Since 1992, Germany has spent DM 14 billion (DM 3.6 billion per year) for refugees and displaced persons from the former Yugoslavia; and its official humanitarian assistance since the outbreak of the conflict totals DM 1.1 billion. The German share in providing material and personnel for the international monitoring of sanctions included DM 10 million for the sanctions assistance missions from October 1992 to May 1996; DM 3 million for the Western European Union (WEU) police and customs assistance on the Danube from May 1993 to May 1996; and

DM 27 million for the NATO-WEU Operation Sharp Guard in 1996. Moreover, the German financial contribution for the reconstruction of the conflict-stricken areas totals DM 175 million in 1996 and is projected to reach DM 600 million in 1999.

27. The Russian Federation has reported the following measures taken with regard to Ukraine, Romania, Hungary and Bulgaria. On 20 March 1995, agreements were signed with Ukraine on the restructuring of its debt in respect of government credits, and on principles for settling its debt in respect of the natural gas supplied in 1994 and on current payments for the supply of natural gas in 1995; under those agreements, payments of $2.5 billion were deferred. In September 1994, Romania was included among the countries benefiting from the Russian Federation's scheme of preferences, resulting in a 50 per cent reduction (as at 15 May 1996, a 25 per cent reduction) in customs tariffs on Romanian goods entering the Russian Federation. Pursuant to an April 1994 agreement, almost half of the former Soviet Union's debt to Hungary ($1.7 billion) was repaid in 1993-1994 through the supply of machinery and equipment, while the implementation of a number of contracts on the repayment of the balance of the debt ($950 million, including interest) is now under way. In accordance with a March 1995 agreement, the Russian Federation's $100 million debt to Bulgaria will be repaid through deliveries of industrial equipment, machinery and spare parts.

28. Thailand has informed the Secretariat that its Government contributed $10,000 in September 1995, through the International Committee of the Red Cross (ICRC), for the local hospital at Bihac, Bosnia and Herzegovina, and, later, another $20,000 towards ICRC field activities.

29. The United Kingdom of Great Britain and Northern Ireland has provided detailed data on its assistance to Albania, Bulgaria, Hungary, Romania, the former Yugoslav Republic of Macedonia and Ukraine. At the bilateral level, budget allocations to the Know-how Fund for 1996-1997 are as follows: £1 million for Albania, £2.7 million for Bulgaria, £4.5 million for Hungary, £4.3 million for Romania, £800,000 for the former Yugoslav Republic of Macedonia and £7 million (1995-1996) for Ukraine. Further, more than £800,000 has been allocated to those six countries in 1995-1996 for scholarships, and their aggregate share for the same period in the British Council and BBC World Service allocations amounted to £7 million and £6.1 million, respectively.

30. At the multilateral level, the United Kingdom has been participating in the assistance programmes of the European Union and operations of the European Bank for Reconstruction and Development (EBRD), as well as in International Monetary Fund and World Bank lending to the affected countries. The United Kingdom's contribution (16 per cent of the budget) to the PHARE programme totals £276.9 million committed in 1990-1995 for Albania, Bulgaria, Hungary, Romania and the former Yugoslav Republic of Macedonia, and £41.3 million allocated for 1996 for those countries. As for Ukraine, assistance has been provided through the TACIS programme in the amount of £32.7 million committed for 1990-1995 (plus £18.8 million for 1996).

31. The Government of the United States of America provided approximately $11 million during the period of economic sanctions in technical assistance to

the affected States. About $6 million was spent to help create alternative routes around the Federal Republic of Yugoslavia. The remainder was spent on equipment and training for the border control authorities of the "front-line" States.

B. Response of the United Nations system

32. As at 1 September 1996, a total of 12 organizations of the United Nations system had provided updated information on their assistance activities in the affected States. Replies were received from the following specialized agencies: the International Labour Organization (ILO), the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO), the World Bank, the International Monetary Fund (IMF) and the United Nations Industrial Development Organization (UNIDO). Several United Nations programmes and funds, including the United Nations Children's Fund (UNICEF), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the World Food Programme (WFP), the Office of the United Nations High Commissioner for Refugees (UNHCR) and the Economic Commission for Europe (ECE) also responded. The replies received from these components of the United Nations system indicate that all of them have continued to provide development support to the affected countries. Such activities have contributed to economic and social well-being in the recipient countries and have thus indirectly offset some of the special economic problems resulting from the sanctions. However, in many instances, the activities were not directly related to the immediate consequences of the sanctions and, for this reason, are not fully reflected in the following section of the report. The section focuses primarily on balance-of-payments support, transport and infrastructure development and assistance in trade and investment promotion provided to the neighbouring and other affected countries, regardless of whether they formally invoked Article 50 of the Charter or not.

1. World Bank

33. The World Bank has been implementing wide-ranging programmes of support to countries of central and eastern Europe affected by the sanctions against the Federal Republic of Yugoslavia. Such assistance includes balance-of-payments support, project financing and technical cooperation. In view of the appeals for special economic assistance, these programmes have been reviewed, on a case-by-case basis, to make them as responsive as possible to the particular needs of the affected countries.

34. In Albania, the Bank is financing a first transport project aimed at rehabilitating road sections on the East-West transport corridor and a rural roads project for improving access to markets, as well as a power loss reduction project and a power transmission and distribution project for improving infrastructure and reducing losses, thus minimizing reliance on the temporary import of electricity from neighbouring countries. In the near future, negotiations are expected on a national roads project, to be followed shortly by a second transport project, which would finance rehabilitation and improvements

in the port of Durrës, Albania, and along additional road sections of the East-West corridor.

35. Bosnia and Herzegovina became a member of the World Bank Group on 1 April 1996, retroactive as from 25 February 1993. The Bank's objectives in the country are to support a broad-based rehabilitation of infrastructure and the social sector that should jump-start economic recovery and create jobs; to strengthen and rebuild institutions; and to support, in parallel, the transition to a market-based economy. The Bank's resources have been used as concessional "seed capital" to finance - combined with other donor resources - projects across a broad range of sectors. As a first step, the Bank established a $150 million trust fund financed from its surplus to quickly support emergency operations in the country. A first group of seven emergency projects, approved in February-May 1996, includes a recovery project ($15 million grant, $30 million credit); a farm reconstruction project ($20 million credit); a water, sanitation and solid waste urgent works project ($20 million credit); a transport reconstruction project ($35 million credit); a war victims rehabilitation project ($5 million grant); an education reconstruction project ($5 million grant); and a district heating reconstruction project ($20 million credit). In July 1996, the Bank approved credits from the International Development Association (IDA) totalling $75.6 million for a second group of five emergency operations in landmine clearing ($7.5 million), housing repairs ($15 million), electric power reconstruction ($35.6 million), public works and employment ($10 million), and the demobilization and reintegration of former combatants ($7.5 million). Disbursement of funds for priority reconstruction activities on the ground has already begun. In addition, a transition assistance credit, under standard IDA lending, will provide balance-of-payments and fiscal support to the efforts of the State and Federation Governments in economic reintegration, institution-building and economic recovery.

36. In Bulgaria, Bank assistance in the past year focused on the infrastructure and social sectors. A $95 million railway rehabilitation project and a $26 million health sector restructuring project were approved. A Bank team is currently working with the Government to develop a State enterprise reform programme.

37. For Croatia, the Bank approved, in May 1996, new loans for the following projects: (a) a $9.5 million capital market development project directed at supporting private sector investment through the development of capital markets; (b) a $5 million technical assistance project to support the privatization of public enterprises and finance pricing studies in the telecommunications and energy sectors; and (c) a $17 million farmer support project to help provide private sector services in agriculture. Well advanced in preparation is the key $80 million enterprise and financial sector adjustment project, which will be supported by an investment recovery loan to help finance a new cycle of private investment. A second reconstruction project is being designed to repair war-damaged regional transport and power and water systems. Discussions have also taken place with the Government on a possible emergency reconstruction project for Eastern Slavonia following demilitarization. In addition, the Bank has a pipeline of possible projects aimed at upgrading water and sewerage systems,

improving port infrastructure, supporting urban improvements in Zagreb, and upgrading railways.

38. In Hungary, the Bank has provided balance-of-payments support with five adjustment and programme loans. Two additional major adjustment operations - an enterprise and financial sector loan and a public finance adjustment loan - are currently in preparation. Investment lending covers a considerable range of sectors (industrial restructuring, energy and environment, roads and urban transport and the social sectors) and aims at supporting private sector development via projects that can help remove bottlenecks, and at improving the efficiency of public sector investments. Further investment projects in power, municipal utilities and the environment are in preparation.

39. In Romania, Bank assistance has focused on providing balance-of-payments support to the Government's stabilization and structural reform programme, particularly through a $280 million enterprise and financial sector adjustment loan approved in January 1996. The loan is complemented by several other Bank-financed projects, including a power sector rehabilitation project for $110 million; a railway rehabilitation project for $120 million; and an employment and social protection project for $55.4 million.

40. In Slovenia, because of its relatively high per capita income, Bank support has focused on selective high priorities. Currently, four new projects are being prepared in the areas of environmental management and control, investment recovery and development of irrigation facilities.

41. In the former Yugoslav Republic of Macedonia, the Bank has strongly supported the Government's efforts to upgrade essential infrastructure. In April 1995, the Bank approved a $24 million transit facilitation project to upgrade portions of the East-West corridor, and improve the country's border crossings with Albania and Bulgaria. In addition, two operations totalling $99 million (all on soft IDA terms) were approved in May 1995 to support the Government's programme of reform in the enterprise, banking and social sectors. An exceptionally high level of IDA resources was made available in recognition of the country's special circumstances, including the adverse effects of the sanctions. Additional financial and technical assistance resources were mobilized in September 1995 at the second Consultative Group meeting organized by the Bank. Through May 1996, two operations for $20 million were approved and two others, including a structural adjustment loan/credit ($42 million), were submitted to the Board.

2. International Monetary Fund

42. As at the beginning of 1995, all eight countries invoking Article 50 of the Charter in connection with the sanctions against the Federal Republic of Yugoslavia - Albania, Bulgaria, Hungary, Romania, Slovakia, the former Yugoslav Republic of Macedonia, Uganda and Ukraine - had made use of IMF resources during the period of application of the sanctions, in support of programmes aimed at addressing their balance-of-payments difficulties. From June 1995 to May 1996, the Fund approved additional financial assistance for Hungary, Romania and Ukraine totalling $1.7 billion, which includes a new standby arrangement for

Hungary (total access $381.4 million); an extension and augmentation of the standby arrangement for Romania (from $190.7 million to $463.2 million); and a new standby arrangement for Ukraine ($864.6 million).

43. From May 1992 to May 1996, total Fund disbursements to the eight affected countries amounted to more than $3 billion, an increase of $710 million during the past year. All the affected countries except Uganda made drawings under standby arrangements, and most of them were eligible for disbursements or purchases under special Fund facilities, such as the Enhanced Structural Adjustment Facility (Albania ($44.9 million) and Uganda ($145.3 million)); and the Systemic Transformation Facility (Bulgaria ($168 million), the former Yugoslav Republic of Macedonia ($35.8 million), Romania ($272.5 million), Slovakia ($186 million) and Ukraine ($720.7 million)). Moreover, a total of $1.6 billion in additional or remaining amounts has already been approved by the Fund's Executive Board, and can be disbursed when the timetable and conditions specified under the arrangements have been met.

44. In providing financial assistance to the affected countries, the Fund has taken into account, inter alia, the strength of their economic policies and their balance-of-payments needs, including estimates of the adverse effects of the sanctions. As with all its members, the Fund continues to assist the affected countries through policy advice and technical assistance, as appropriate, to help them overcome remaining economic difficulties.

3. United Nations Development Programme

45. In follow-up to its activities during the previous reporting period (see A/50/423, paras. 54-57), UNDP has proceeded with its regional project providing assistance to improve alternative land routes around the Federal Republic of Yugoslavia, thus helping minimize the adverse impact of sanctions on neighbouring countries. Civil works have been completed at several border crossings in Albania, Bulgaria, Romania and the former Yugoslav Republic of Macedonia. As a result, the potential of the East-West transport corridor crossing the Balkan region has been significantly enhanced.

46. In Bosnia and Herzegovina, a major UNDP-sponsored inter-agency programming mission identified, in March 1996, a group of 46 projects at a total cost of $112 million. In May 1996, UNDP opened its resident representative's office, and approved a first phase of assistance (totalling $12.4 million) under a rehabilitation and development programme, to be financed by $1.4 million from the special programme resources, and the rest from the UNDP indicative planning figure, and cost-sharing or trust fund contributions from interested countries. First contributions were received from Austria ($200,000), Italy ($700,000), Japan ($30.8 million) and Spain ($950,000). Initial operations for support to three area development programmes, based at Livno, Bihac and Banja Luka, have already started.

47. In Croatia, UNDP has recently undertaken a multisectoral needs assessment mission for reconstruction and rehabilitation, with special emphasis on the long-term needs of refugees and displaced persons. In addition, a project has recently been identified to prepare an area development programme for the county

of Sibenek, which would create a physical and economic environment for the reintegration of conflict-affected and displaced people.

48. UNDP support for Slovenia has given priority to human resources development, privatization and public sector reform, and the promotion of small and medium-sized enterprises.

49. In the former Yugoslav Republic of Macedonia, UNDP and the Department for Development Support and Management Services of the Secretariat are currently assisting the Government in the preparation of a national development strategy. A number of project proposals related, inter alia, to investment promotion, environmental management, and marble and granite production are under review.

4. United Nations Conference on Trade and Development

50. In the context of its technical assistance programme, UNCTAD assisted, in 1995-1996, the Government of Albania in organizing study tours and training courses in Belgium, Ireland, Italy, Hungary and Poland for senior government officials and staff of the Albanian Centre for Foreign Investment Promotion. UNCTAD also assisted the Centre in computerizing its investment registration and monitoring system and in carrying out financial analysis studies of 16 investment projects in Albania. In addition, support was provided for high-level government officials to undertake investment promotion missions in Austria, Italy and Switzerland.

51. The UNCTAD Automated System for Customs Data is being implemented in Hungary, Romania, Slovakia, the former Yugoslav Republic of Macedonia and Uganda. Albania has decided to adopt the System and final negotiations are currently under way.

5. Economic Commission for Europe

52. The Economic Commission for Europe, in cooperation with the Organisation for Economic Cooperation and Development, the Central European Initiative and Black Sea Economic Cooperation, has supported the efforts of its member States in coping with the side effects of sanctions. Most recently, ECE took part in the Black Sea Business Forum, held at Bucharest in May 1996, where ECE chaired a high-level meeting on the reconstruction process in the former Yugoslavia, including participation therein of the affected countries.

53. In January 1996, the ECE Inland Transport Committee welcomed the progress in restoring the freedom of navigation on the Danube after the suspension of sanctions against the Federal Republic of Yugoslavia and expressed its concern with regard to the continued taxation by Yugoslav authorities of vessels in transit across the territory of the Federal Republic via the Danube. It considered that the practice of taxation was unacceptable and detrimental to the regime of freedom of navigation on that international artery and, therefore, should cease immediately.

54. ECE is the executing agency for the Trans-European Motorway and Trans-European Railway projects that cover central and eastern European countries affected by the sanctions. Both projects have been contributing to the expansion and upgrading of road and rail infrastructure, thereby helping the countries concerned to overcome the effects of the sanctions.

C. Follow-up to regional initiatives and assistance arrangements

55. The Special Ad Hoc Meeting of Senior Officials, convened by the Conference on Security and Cooperation in Europe at Vienna early in 1994, resulted in a viable approach to supporting, at the bilateral and multilateral levels, several important infrastructure projects in the affected countries and integrating them into a longer-term regional perspective of economic development (see A/49/356, paras. 68-75). Updated information on the implementation of the donor commitments made at the Vienna meeting and its follow-up, provided by the European Union and EBRD, is summarized below.

1. European Union

56. The European Union continues to support, mainly through the PHARE budget, the activities related to border-crossing infrastructure and customs facilitation in the Balkan region. Budget allocation for 1995 (ECU 83.5 million) for border-crossing infrastructure projects in the region is somewhat lower than it was in 1994 (ECU 98.4 million). However, this should be seen in the light of the improved situation in the region in terms of reduced waiting hours at the most important border crossings. On the average, waiting time has decreased from 12 to 3 hours, which clearly indicates that the previous infrastructural investments have had positive results. Indeed, most recent figures have confirmed that the trend of reduced waiting time at border crossings continues. Infrastructure projects financed under the 1995 budget are, to a large extent, a continuation of projects initiated in previous years for road rehabilitation and upgrading, border-crossing modernization and supply of customs control and communication equipment in Albania, Bulgaria, Hungary and Romania (see A/50/423, para. 64). Some of the projects have already been implemented, while the rest will be completed by the end of 1996.

57. On the customs side, the European Commission organized several meetings during the past year, between donors and the 11 countries involved (Albania, Austria, Bulgaria, Greece, Hungary, Romania, Slovakia, Slovenia, the former Yugoslav Republic of Macedonia, Turkey and Ukraine) in order to review the functioning of the two priority Balkan customs corridors created to ease the border crossing bottlenecks caused by the disruption of transit traffic through the former Yugoslavia (see A/50/423, para. 66). As a result of the review, a short-term action plan for the implementation of the corridors was adopted. It has been agreed to enlarge both the first and the second customs corridors, to apply the International Convention on the Harmonization of Frontier Controls of Goods, and to organize informal local committees composed of corresponding authorities at the border-crossing posts situated on the corridors, to help find common solutions to practical problems. It has also been agreed that the implementation of these measures could be financed through the PHARE Transit

Facilitation and Customs Modernization Programme, which has a total budget of ECU 91 million for the period 1995-1999. By the end of 1995, customs equipment worth around ECU 2 million was delivered to several countries involved in the support of the two Balkan customs corridors.

2. European Bank for Reconstruction and Development

58. The European Bank for Reconstruction and Development has recently approved a number of infrastructure development and trade finance projects in several countries affected by the sanctions against the Federal Republic of Yugoslavia. These include a power transmission and distribution project for Albania (total cost ECU 90 million; a railway restructuring project for Bulgaria (ECU 234.7 million); a motorway project for Hungary (ECU 368.2 million); a railway rehabilitation project for Romania (ECU 321.7 million); a Skopje airport rehabilitation project for the former Yugoslav Republic of Macedonia (ECU 12 million); and the Yuzhny Fertilizer Terminal (ECU 25.5 million) and Ukrrichflot (ECU 25.7 million) projects for Ukraine. The total cost of 15 relevant projects and programmes approved by the Bank for these six countries amounts to more than ECU 2.1 billion. Several new projects for the countries of the region are currently under consideration.

IV. PARTICIPATION BY THE AFFECTED STATES IN REHABILITATION AND RECONSTRUCTION OF THE CRISIS-STRICKEN AREAS IN THE FORMER YUGOSLAVIA

59. The General Assembly in its resolution 50/58 E called upon the United Nations system to promote the participation of suppliers from the affected countries in the post-conflict rehabilitation and reconstruction effort in the former Yugoslavia, particularly in three ways, namely: broader involvement in the provision of humanitarian assistance; supply for the United Nations peacekeeping contingents; and support for economic recovery programmes. In this regard, information was received from the World Bank, UNHCR and WFP, as well as from the Department of Peacekeeping Operations and the Department of Humanitarian Affairs of the Secretariat.

A. Involvement in rendering humanitarian assistance

60. The humanitarian assistance programme for the former Yugoslavia is an important part of the United Nations contribution to the implementation of the peace process in the region. In the most recent United Nations consolidated inter-agency appeal, covering the period from January to December 1996, $825.7 million is being sought for humanitarian assistance in the former Yugoslav republics, over $500 million of this amount being targeted for Bosnia and Herzegovina. The United Nations humanitarian agencies continue to focus on assistance to war-affected populations, while promoting the return and reintegration of refugees and displaced persons. Many projects address the recovery and rehabilitation needs of war-damaged societies through transitional activities, including local capacity-building and longer-term support programmes. Of the total requirements identified in the appeal, $347.3 million

were available for the operation as at the end of July 1996, leaving a shortfall of $478.4 million. The success of the operation will depend largely on the availability of funding from all sources to enable the United Nations humanitarian agencies directly involved (UNHCR, WFP, WHO and UNICEF) and other parties active in the process to ensure, in a coordinated manner, the effective and efficient delivery of the programme, including, as appropriate, through broadening access for supplies particularly from the affected countries.

1. Office of the United Nations High Commissioner for Refugees

61. For its relief operations in the former Yugoslavia, UNHCR has procured both products and services from the neighbouring countries affected by the sanctions, particularly as direct procurement by its Supply and Transport Section at Geneva and by the Regional Purchasing Unit at Zagreb and other local offices. For the period from 1993 to April 1996, the total UNHCR expenditure on procurement from nine surrounding countries amounted to $19.3 million, which includes humanitarian supplies from Austria ($537,584); bedsheets from Belarus ($1.1 million); diesel fuel from Bulgaria ($3 million); coal and other supplies from the Czech Republic ($2.9 million); foodstuffs, heating fuel and tyres from Hungary ($2.7 million); yeast and bedsheets/towels from the former Yugoslav Republic of Macedonia ($471,519); blankets from Poland ($4.2 million); various items and transport services from Slovenia ($427,733); and yeast from Turkey ($3.9 million). The 1996 UNHCR budget for the region totals $353 million, including $109 million for shelter, water and sanitation, $92 million for supplies to returnees, $36 million for logistics and transport, etc., providing, subject to funding, broader opportunities for supplies from the neighbouring countries.

2. World Food Programme

62. The World Food Programme has purchased foodstuffs from eastern Europe for its emergency feeding operations, particularly in the former Yugoslavia. To the extent that donors made cash resources available, WFP purchased, during 1995 and the first half of 1996, 51,240 metric tons of various food commodities, at an estimated total cost (including transport) of $15.3 million from four affected countries, namely, Bulgaria ($742,500), Hungary ($6.8 million), Romania ($7.3 million) and Slovakia ($458,156). Additionally, through the use of the ports of Bourgas in Bulgaria and Bar in Montenegro, WFP has been making payments for stevedoring, handling and transport fees. By channelling about 45,000 tons of food through these ports, WFP contributed over $2 million to local economies. WFP is currently looking into additional possibilities for purchases from the region for food aid requirements for the remainder of 1996.

B. Access to material and food supply for the United Nations peacekeeping contingents

63. The role of the United Nations peacekeeping operations in the former Yugoslavia evolved considerably over the past year, especially with the conclusion of the Dayton/Paris Peace Agreement in November/December 1995. As a

result, the military responsibilities of the United Nations Protection Force (UNPROFOR) and the United Nations Peace Forces were transferred to NATO and the Implementation Force (IFOR) in Bosnia and Herzegovina. Simultaneously, the United Nations Mission in Bosnia and Herzegovina (UNMIBH) was established to carry out or coordinate some of the civilian functions called for in the Peace Agreement. The United Nations Confidence Restoration Operation in Croatia (UNCRO) was succeeded by the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES), whose basic objective is the peaceful reintegration of the region into the Republic of Croatia. The United Nations Preventive Deployment Force (UNPREDEP) in the former Yugoslav Republic of Macedonia became a fully independent mission. The United Nations Mission of Observers in Prevlaka (UNMOP) continued to monitor conditions on the peninsula.

64. Within the framework described above and in accordance with the delegation of authority to contract for purchase, rental or sale of services, supplies, equipment or other requirements, all European countries were included, already in 1992, in the local area of procurement for UNPROFOR. That was an innovation compared to delegations of authority which had been issued for other peacekeeping missions before 1992, authorizing local procurement only from a limited number of countries from the particular geographical region. For that reason, the United Nations peacekeeping missions in the former Yugoslavia have been able to issue tenders for their requirements to prospective vendors in all European countries, including those affected by the sanctions. During the period from September 1995 to June 1996, such local commercial procurement was made, inter alia, from Austria (47 purchase orders totalling $604,764), Slovakia (1 order of $8,700) and the former Yugoslav Republic of Macedonia (33 orders totalling $924,036).

65. Two other sources of access for supplies from the affected countries to the United Nations peacekeeping operations in the former Yugoslavia are commercial procurement and letters of assist to Governments through United Nations Headquarters. From September to December 1995, commercial Headquarters procurement was made, inter alia, from Bulgaria (1 purchase order of $324,500) and Ukraine (3 orders totalling $2,198,740). Under letters of assist from September 1995 to June 1996, the distribution of requisitions included four to the Czech Republic ($67,400), one to Slovakia ($2,400), four to Turkey ($166,000) and three to Ukraine ($29,000). Further possible supplies from the affected countries to peacekeeping contingents in the region can be foreseen.

C. Contribution to reconstruction and development efforts

66. Reconstruction and economic recovery are crucial elements of the international effort to restore peace and stability in the former Yugoslavia. The Priority Reconstruction and Recovery Programme for Bosnia and Herzegovina, developed by the Government jointly with EBRD, the European Commission and the World Bank, provides the framework for international support in the required amount of $5.1 billion for the defined and prioritized needs over the next three to four years (1996-1999). The multisectoral programme includes support for employment generation and the restart of production, particularly in small and medium-sized enterprises; vital reconstruction in all infrastructure sectors,

especially transport, energy, water and waste management, as well as landmine clearing; national institution-building and strengthening of the implementation capacities of government and its agencies at all levels, including some backup reserves for the new central bank; and the social sectors such as health and education, as well as recurrent costs, such as salaries, and a social fund for the most vulnerable members of society.

67. The European Commission, jointly with the World Bank, assumed the lead role in coordinating donor support and providing finance for the reconstruction effort. At two donor conferences co-hosted by the Commission and the Bank at Brussels, in December 1995 and April 1996, representatives of 50 countries and 30 international organizations pledged more than $1.8 billion in total commitments to meet the external financing requirements for 1996 of rebuilding Bosnia and Herzegovina. Besides its contribution of around $100 million committed for the first quarter of 1996, the Commission pledged additional $260 million for the remainder of the year. For the same period, the total commitments by the World Bank from IDA were $310 million-$350 million and pledges by EBRD amounted to $100 million. Disbursement of funds has begun.

68. In the process, the European Commission and the World Bank have put in place accelerated procurement procedures to respond to the emergency nature of the operation. These simplified and streamlined procedures include higher limits for the different procurement methods (e.g., international competitive bidding) and a faster turn-around time between different stages of the procurement process (e.g., between issuing notices and tendering bids). Other donors are encouraged to use similar procedures and to ensure that the principles of economy, efficiency and transparency are observed. Alternatively, joint co-financing with multilateral institutions can also help ensure transparency in procurement, including procurement from the neighbouring and other affected countries in the region.

69. All countries of the region, including all the successor republics of the former Yugoslavia and other countries affected by the sanctions, took part in the conferences at the invitation of the sponsors. Among bilateral donors, contributions were pledged, inter alia, by Austria ($11.5 million), Bulgaria ($10,000), Croatia ($500,000), the Czech Republic ($6 million), Germany ($39.3 million), Greece ($7 million), Hungary ($1 million), Romania ($210,000), Slovakia ($1.5 million), Slovenia ($2.9 million), the former Yugoslav Republic of Macedonia ($10,000) and Turkey ($26.5 million). The nature of the contributions was broadly consistent with the priority programme, although there may be some adjustments reflecting the interests and priorities of participating donors. The quality and the quantity of donor commitments were also noted, the concessionality and flexibility of assistance being of crucial importance. With the objectives of increasing domestic demand, jump-starting economic growth, and cementing peace through job creation, all donors were urged to be as accommodating as possible in funding recurrent and local costs by employing local companies and personnel to the maximum extent. Similarly, some neighbouring and other affected countries would like their enterprises to be considered, on a priority basis, for procurement of products and services. It was agreed that the assistance effort should facilitate the integration and cooperation between entities and communities in Bosnia and Herzegovina, as well as developing good-neighbourly relations in the Balkan region as a whole.

70. At a conference held at Florence, Italy, in June 1996, the Peace Implementation Council conducted a mid-term review of progress in the implementation of the Peace Agreement for Bosnia and Herzegovina, including in the area of economic reconstruction (see S/1996/446, paras. 40-52). In the Chairman's conclusions, it is noted, inter alia, that complementary action in Bosnia and Herzegovina and the donor community is indispensable for the second half of 1996. While the rapid disbursement of funds pledged by donors remains a top priority, the speed of action depends to a large extent on cooperation shown by the parties themselves and their willingness to bring about the political and administrative conditions in which project implementation can take place rapidly.

V. CONCLUSIONS

71. Following the conclusion of the Dayton Peace Agreement, the Security Council took a series of steps resulting in the suspension of economic sanctions against the Federal Republic of Yugoslavia (as from November 1995) and the Bosnian Serb party (as from February 1996), and the termination of the embargo on deliveries of weapons and military equipment to all the countries of the former Yugoslavia (in June 1996). Accordingly, the Security Council Committee established pursuant to resolution 724 (1991) concerning Yugoslavia regularly informed all States of the corresponding revisions to the consolidated guidelines for the conduct of its work. The suspension of the sanctions regime has opened the way for the gradual resumption of economic relations with and especially transit traffic through the Federal Republic of Yugoslavia, thus considerably easing the burden on the neighbouring and other States of the region that have been adversely affected by the implementation of the economic sanctions during the last three and a half years.

72. In their communications to the Secretary-General or the Chairman of the sanctions committee, three affected States (Bulgaria, Hungary and Ukraine) have asserted that they have incurred significant economic losses and costs as a result of the severance of economic relations with the Federal Republic of Yugoslavia, particularly the disruption of traditional transport links in the region. In view of the long-term impact of the sanctions on their overall economic and social situation, these States call upon the international community to continue to pay special attention to the persisting problems of the affected countries. Seeking support to alleviate the negative side effects of the sanctions, two States have presented specific and conceptual proposals addressed to the international community at large. Following the suspension of the sanctions regime, particular importance is assigned to the need for enhancing regional economic cooperation, especially in the transport and infrastructure sectors, as well as facilitating the participation of the affected countries in the reconstruction effort in the former Yugoslavia.

73. Because of the limited number of replies received by the Secretary-General from the donor States, it is not possible to assess fully the level of bilateral economic assistance provided to the affected countries. While several communications identify specifically the amount of assistance directly intended to address the special economic problems arising from the implementation of sanctions, some other reports refer to the ongoing assistance activities by

donors in support of the transition process in the affected countries and do not indicate a supplement of funds to compensate for the losses and costs incurred by those countries as a result of the sanctions. Although many reported projects had not been intended exclusively as special assistance measures directly aimed at mitigating the negative side effects of the sanctions regime, they should have had an indirect positive effect on the countries concerned. Moreover, the active donor support for the reconstruction process in the former Yugoslavia and other regional cooperation programmes should ultimately benefit all the countries of the region.

74. The relevant components of the United Nations system, particularly the international financial institutions, continue to implement, within their respective mandates, existing facilities and available resources, substantial programmes of financial and technical assistance in the affected countries. In response to the renewed appeals for special economic assistance, these programmes have been reviewed, as appropriate, in order to make them as responsive as possible to the particular problems of the countries concerned. Within the priorities of the investment programmes in the affected countries, the World Bank has examined possibilities for redesigning the relevant projects, reallocating funds under existing loans and credits and expanding lending, taking into account sanctions-related concerns. In view of the adverse impact of sanctions on the balance of payments, IMF has ensured that the affected countries, when eligible, have access to its resources, receive the approval of new financing and make drawings from special facilities. However, new and additional financial resources from all potential funding sources, especially at the bilateral and regional levels, are needed to address a variety of persisting economic problems of the affected States, in particular the long-term effects of sanctions on their economies.

75. Specific concerns of the affected countries in the areas of transport and infrastructure development, and in trade and investment promotion, have been pursued through special regional initiatives and assistance arrangements under the auspices of OCSE, the European Union and EBRD and in cooperation with other regional organizations. The European Union's PHARE and TACIS programmes have been crucial in unlocking funds for a series of short-term projects for road rehabilitation and upgrading, border-crossing modernization and supply of customs control and communication equipment in the affected neighbouring countries. However, substantial additional resources are needed to carry out longer-term transport and infrastructure projects that are particularly important for the functioning of the priority transport and customs corridors in the region. Within regional priorities, continued bilateral donor support, participation of regional development and investment banks and private-sector involvement would be essential for developing cross-border cooperation, upgrading infrastructure and promoting trade and investment in the Balkans.

76. The neighbouring and other affected countries should be encouraged to participate more actively in international support for the rehabilitation, reconstruction and development efforts in the former Yugoslavia. As the focus of the United Nations humanitarian assistance programme in former Yugoslavia is now shifting from a four-year-old emergency relief operation to providing for the return of millions of refugees and displaced persons, the longer-term support projects open new possibilities for suppliers from the neighbouring and

other affected countries. Moreover, the recent evolution of the United Nations peacekeeping operations in the region may be beneficial, through commercial procurement and government service, to all European countries. In implementation of the economic reconstruction programme for Bosnia and Herzegovina, co-financing of projects under the auspices of multilateral institutions, such as the World Bank or EBRD, should facilitate and increase transparency in the procurement of products and services, including procurement from neighbouring countries (e.g., on the basis of simplified and streamlined guidelines for emergency lending) and in the use of funds for investment and recurrent costs in the region. As rehabilitation and reconstruction is a medium-term process, the international community should ensure good donor coordination in line with the agreed priorities and should accelerate, to the extent possible, disbursement of funds on flexible and concessional terms. In turn, this will help restore and promote further economic cooperation with and among all the States of the former Yugoslavia and other countries in south-eastern Europe as an important contribution to stability and prosperity in the Balkan region.